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ALLIED PILOTS ASSOCIATION ON EXECUTIVE BONUSES: "PARTICULARLY IRONIC"

Fort Worth, Texas (April 21, 2010)—The Allied Pilots Association (APA), certified collective bargaining agent for the 11,500 pilots of American Airlines (NYSE: AMR), described the timing of bonuses that airline management is receiving this week as "particularly ironic."

"We are disappointed that management continues to adjust their bonus plans year after year to ensure a payout occurs regardless of how well or poorly the airline performs," said APA President Captain Lloyd Hill. "The time and energy spent devising these 'sure-fire' executive compensation schemes could be devoted to more productive pursuits, such as improving the airline's labor relations and addressing operational issues. Management often describes this type of variable compensation as 'at risk,' but there doesn't appear to be much risk involved, given the steps taken to ensure a payout year after year."

Hill reported that management has refused to help pilots recoup any portion of the pay many have lost because of volcano-related flight cancellations.

"The bonus timing this year is particularly ironic, given that hundreds of our pilots are losing pay because of the large number of flights to and from Europe that have been canceled," Hill said. "Management always seems able to ensure they'll get paid, while line employees' already depressed income is truly at risk."

Beginning with next year's executive bonuses, there will no longer be any corresponding relationship between progress toward achieving the airline's "corporate objectives" listed in the proxy statement—which include operational performance and employee satisfaction goals—and the amounts executives receive. Also, the stock performance threshold required to trigger a portion of executives' "target" bonus amounts will be relaxed for next year's payouts.

Unlike management's stock-based bonuses, front-line workers' variable compensation plan consists primarily of a profit-sharing plan that begins paying out only after the airline has generated a minimum of $500 million in annual pre-tax earnings. Because of that high threshold—which the airline has only achieved twice in its entire history—the plan has never paid out since its inception in 2003.

"Our profit-sharing plan is seriously flawed, assuming its actual purpose is to share profits with the workers," Hill said.

According to Hill, management compensation could increase dramatically as soon as next year based on recent changes to the executive bonus plans. Parent company AMR's stock performance relative to its airline peers (a metric commonly referred to as "total shareholder return" reflecting stock price appreciation and reinvestment of dividends) has historically played a major role in the size and makeup of management bonuses. For next year's executive bonuses, the portion comprised of "performance shares" will shrink, with the difference made up by an increased number of "deferred shares." Unlike performance shares, the number of deferred shares awarded will not vary depending on total shareholder return.

"Executive bonuses next year will likely dwarf what just got paid out, which is a poor prescription for what ails this airline," he said.

Founded in 1963, the Allied Pilots Association—the largest independent pilot union in the U.S.—is headquartered in Fort Worth, Texas. APA represents the 11,500 pilots of American Airlines, including 1,988 pilots on furlough. The furloughs began shortly after the September 11, 2001 attacks. Also, several hundred American Airlines pilots are on full-time military leave of absence serving in the armed forces. The union's Web site address is www.alliedpilots.org. American Airlines is the nation's second-largest passenger carrier and fifth-largest cargo carrier.

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